

AR42

**CANADIAN POWER & PAPER  
SECURITIES LIMITED**

*Sixteenth Annual Report to the Shareholders*

**For the Year Ended 31st December, 1967**

# CANADIAN POWER & PAPER SECURITIES LIMITED

1245 SHERBROOKE STREET WEST, MONTREAL, QUEBEC

## DIRECTORS

**W. A. Arbuckle, C.A.**  
*President of the Company*

**R. R. McLernon**  
*President, Acer, McLernon Inc.*

**P. W. Berrigan**  
*Secretary-Treasurer of the Company*

**Jean Simard**  
*Vice-President, Marine Industries Limited*

**John E. L. Duquet, Q.C.**  
*Senior Partner, Duquet, MacKay,  
Weldon, Bronstetter, Willis & Johnston*

**P. N. Thomson**  
*Vice-President of the Company*

**T. Rodgie McLagan, O.B.E.**  
*Chairman, Canada Steamship Lines, Limited*

**\*R. L. Weldon, O.B.E.**  
*Vice-Chairman, Consolidated-Bathurst Limited*  
*\*Since Deceased*

**W. Howard Wert, C.A.**  
*President, Warnock Hersey  
International Limited*

## OFFICERS

**W. A. Arbuckle, C.A.**  
*President*

**P. W. Berrigan**  
*Secretary-Treasurer*

**P. N. Thomson**  
*Vice-President*

**C. F. Reid**  
*Assistant Secretary-Treasurer*

## AUDITORS

TOUCHE, ROSS, BAILEY & SMART, CHARTERED ACCOUNTANTS,  
Montreal, Quebec



# CANADIAN POWER & PAPER SECURITIES LIMITED

## DIRECTORS' REPORT

To the Shareholders:

Your Directors present the Sixteenth Annual Report of the Company for the year ended 31st December, 1967.

Profits for the year amounted to \$407,826 and, after allowing for a full year's Preferred dividend, were equal to 48 cents per Common share. Semi-annual dividends were declared on the Common shares payable 8th September, 1967, and 30th March, 1968.

The net asset value of the Company as at 31st December, 1967, amounted to \$13,864,456 taking investments at combined value as noted on the Balance Sheet. After adjusting for the applicable amount of Preferred dividends and deducting the Preferred shares at the redemption price of 105% the break-up value per Common share was equal to \$19.33 as against \$21.96 at 31st December, 1966.

The Board of Directors record with sincere sorrow the death of Mr. R. L. Weldon, O.B.E., on 11th March, 1968. Mr. Weldon had been a Director of the Company since its inception in 1952 and his wide experience and wise counsel contributed in an important degree to the success of this Company.

The Books and Accounts of your Company have been audited by Messrs. Touche, Ross, Bailey & Smart, Chartered Accountants, whose report is attached.

Respectfully submitted on behalf of the Board,

W. A. ARBUCKLE,  
President.

Montreal, Que., 11th April, 1968.

# CANADIAN POWER & PA

BALANCE SHEET AS

## ASSETS

		31st December 1966
INVESTMENTS, at cost (Note 1)		
Call deposits . . . . .	\$ 1,115,000	\$ —
Quoted securities . . . . .	8,879,362	8,636,114
Unquoted securities . . . . .	295,303	258,636
	<hr/>	<hr/>
	10,289,665	8,894,750
Wholly-owned subsidiary company (Note 2) . . . . .	5,087,300	5,087,300
	<hr/>	<hr/>
	15,376,965	13,982,050
RECEIVABLES . . . . .	372,508	611,575

## NOTES

1. The investments had a combined value at 31st December, 1967, of \$16,615,328 based on a market value of \$10,117,725 of quoted securities and cost of others.
2. The assets, liabilities, income and expenses of the wholly-owned subsidiary, Eastern Canada Stevedoring Ltd., are not included in the financial statements of the Company because the subsidiary is an operating company whereas Canadian Power & Paper Securities Limited is an investment company. In the circumstances, the Directors of the Company have decided it is more appropriate to keep the accounts separate but they wish to report that the profit of the subsidiary for its fiscal year ended 31st December, 1967, amounted to \$600,247, and undistributed profits earned since it became a 100% subsidiary on 29th June, 1966, amounted to \$1,185,784. No dividend was received from the subsidiary during the year.
3. In January, 1967, the \$2,500,000 5% debentures matured and were repaid and \$3,000,000 of 5½% income debentures maturing on 6th January, 1972, were issued and sold at par.
4. Transactions in United States funds have been converted at exchange rates current on the settlement dates of the relative transactions.

Signed on behalf of the Board:

W. A. ARBUCKLE, Director

P. N. THOMSON, Director

\$15,749,473

\$14,593,625

## AUDITORS' REPORT

We have examined the balance sheet of Canadian Power & Paper Securities Limited as at 31st December, 1967, and the statements of income and expenditure, investment reserve and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Montreal, Que., 21st March, 1968.



# ER SECURITIES LIMITED

st DECEMBER, 1967

## LIABILITIES

		31st December 1966
DIVIDENDS PAYABLE . . . . .	\$ 32,500	\$ 210,488
BANK LOAN . . . . .	—	408,000
ACCOUNTS PAYABLE . . . . .	90,880	79,258
5½% INCOME DEBENTURES MATURING 6th JANUARY, 1972 (Note 3) . . . . .	3,000,000	2,500,000

## CAPITAL

Cumulative redeemable preferred shares of \$25  
par value, issuable in series:

Authorized — 200,000 shares

Issued — 100,000 shares

\$1.30 Series "A" redeemable at 105% . . . . .	2,500,000	2,500,000
--	-----------	-----------

Common shares of no par value:

Authorized — 1,000,000 shares

Issued — 581,952 shares . . . . .	2,935,638	2,935,638
-----------------------------------	-----------	-----------

INVESTMENT RESERVE . . . . .	5,703,091	4,638,945
------------------------------	-----------	-----------

EARNED SURPLUS . . . . .	1,487,364	1,321,296
--------------------------	-----------	-----------

<u>\$15,749,473</u>	<u>\$14,593,625</u>
---------------------	---------------------

## THE SHAREHOLDERS

In our opinion these financial statements present fairly the financial position of the company as at 31st December, 1967, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, ROSS, BAILEY & SMART,  
Chartered Accountants.

# CANADIAN POWER & PAPER SECURITIES LIMITED

## STATEMENT OF INCOME, EXPENDITURE AND EARNED SURPLUS

For the year ended 31st December, 1967

INCOME FROM INVESTMENTS . . . . .		\$ 621,872
EXPENDITURE		
General . . . . .	\$ 12,746	
Directors' fees . . . . .	6,400	
Management fee . . . . .	10,000	
	<hr/>	
	29,146	
Debenture interest . . . . .	164,210	193,356
	<hr/>	
		428,516
TAXES ON INCOME . . . . .		20,690
		<hr/>
NET INCOME . . . . .		407,826
ADD		
Earned surplus at 31st December, 1966 . . . . .		1,321,296
Prior years' tax adjustment . . . . .		1,230
		<hr/>
		1,730,352
DEDUCT		
Dividends on preferred shares:		
Paid 31st July, 1967 . . . . .	32,500	
Paid 31st October, 1967 . . . . .	32,500	
Payable 31st January, 1968 . . . . .	32,500	
	<hr/>	
	97,500	
Dividend on common shares paid 8th September, 1967 . . . . .	145,488	242,988
	<hr/>	
EARNED SURPLUS AT 31st DECEMBER, 1967 . . . . .		<u>\$1,487,364</u>

## STATEMENTS OF CAPITAL SURPLUS AND INVESTMENT RESERVE

For the year ended 31st December, 1967

	Capital Surplus	Investment Reserve
BALANCE AT 31st DECEMBER, 1966 . . . . .	\$ —	\$4,638,945
Surplus realized on changes in investments . . . . .	1,067,646	—
	<hr/>	
	1,067,646	4,638,945
Transfer of capital surplus . . . . .	1,067,646	1,067,646
	<hr/>	
	—	5,706,591
Deduct:		
Legal expenses in connection with issue of income debentures . . . . .	—	3,500
	<hr/>	
BALANCE AT 31st DECEMBER, 1967 . . . . .	<u>\$ —</u>	<u>\$5,703,091</u>



# CANADIAN POWER & PAPER SECURITIES LIMITED

## INVESTMENT PORTFOLIO AT 31ST DECEMBER, 1967

	Common Shares	Preferred Shares	Notes (Principal Amount)	Quoted at Market Value	Unquoted at Cost	Per- centages
<b>FINANCE — 46.04%</b>						
Laurentide Financial Corporation Ltd. . . . .	—	1,000	\$ —	\$ 15,880	\$ —	0.09
Power Corporation of Canada, Limited . . . . .	50,000	802,455	—	7,634,595	—	45.95
<b>PULP AND PAPER — 9.20%</b>						
Consolidated-Bathurst Limited . . . . .	50,000	20,500	—	1,528,250	—	9.20
<b>OTHER INVESTMENTS — 14.14%</b>						
Canadian Arena Company . . . . .	300	300	—	85,500	3,000	0.53
Dominion Glass Company Limited . . . . .	15,000	—	—	140,700	—	0.85
Marco Island Development Corporation . . . . .	1,900	—	220,000	—	292,303	1.76
Northern and Central Gas Company Limited . . . . .	60,000	—	—	712,800	—	4.29
Call deposits . . . . .	—	—	1,115,000	—	1,115,000	6.71
<b>SUBSIDIARY COMPANY — 30.62%</b>						
Eastern Canada Stevedoring Ltd. . . . .	105,000	30,000	—	—	5,087,300	30.62
				<u>\$10,117,725</u>	<u>\$6,497,603</u>	<u>100.00%</u>

# CANADIAN POWER & PAPER SECURITIES LIMITED

## COMPARATIVE STATISTICS 1964-1967

	Year ended 31st December, 1967	Five months ended 31st December, 1966	1966	Years ended 31st July 1965	1964
Income from investments . . . . .	\$ 621,872	339,791	943,733	545,123	404,760
Operating expense . . . . .	\$ 29,146	21,394	35,094	26,568	16,904
Debenture interest . . . . .	\$ 164,210	52,083	125,000	125,000	125,000
Taxes on income . . . . .	\$ 20,690	100	4,973	19,296	3,394
Net income . . . . .	\$ 407,826	226,214	778,666	374,259	259,462
Common shares outstanding . . . . .	581,952	581,952	581,952	581,952	581,952
Earned per common share . . . . .	\$ 0.48	0.36	1.11	0.42	0.43
Declared per common share . . . . .	\$ 0.25 <sup>(6)</sup>	0.25 <sup>(5)</sup>	0.50	0.35	0.35
Dividends paid or declared on:					
Preferred shares . . . . .	\$ 97,500 <sup>(4)</sup>	97,500 <sup>(3)</sup>	130,000	138,500 <sup>(1)</sup>	—
Common shares . . . . .	\$ 145,488	145,488	290,976	203,683	203,683
Capital stock:					
\$1.30 preferred shares (\$25 p.v.) . . . . .	\$ 2,500,000	2,500,000	2,500,000	2,500,000	2,500,000 <sup>(2)</sup>
Common (no par value) . . . . .	\$ 2,935,638	2,935,638	2,935,638	2,935,638	2,935,638
Debentures outstanding . . . . .	\$ 3,000,000	2,500,000	2,500,000	2,500,000	2,500,000
Investments:					
Cost . . . . .	\$15,376,965	13,982,050	13,908,390	13,188,265	12,017,278
Value . . . . .	\$16,615,328	17,947,300	19,777,766	19,528,385	19,034,463
Break-up value per common share . . . . .	\$ 19.33	21.96	25.14	24.27	23.79
Investment reserve . . . . .	\$ 5,703,091	4,638,945	4,653,883	4,033,148	3,117,768

<sup>(1)</sup> For the period from 8th July, 1964 (date of issue) to 31st July, 1965.

<sup>(2)</sup> Shares issued on 8th July, 1964.

<sup>(3)</sup> Comprises dividends paid 31st October, 1966, and declared payable 31st January and 30th April, 1967.

<sup>(4)</sup> Comprises dividends paid 31st July and 31st October, 1967, and declared payable 31st January, 1968.

<sup>(5)</sup> Dividend paid 8th March, 1967.

<sup>(6)</sup> Dividend paid 8th September, 1967.



# CANADIAN POWER & PAPER SECURITIES LIMITED

1245 SHERBROOKE STREET WEST

MONTREAL 25, CANADA

AR42

Montreal, Quebec.

June 4th, 1968.

To each of the holders of the \$1.30 Cumulative Redeemable Preferred Shares, Series "A", of the par value of \$25 each; and

To each of the holders of the Common Shares without nominal or par value;

Of the capital stock of Canadian Power & Paper Securities Limited;

Herewith you will please find:

- (a) the Sixteenth Annual Report to the Shareholders of your Company for the fiscal year ended December 31st, 1967;
- (b) Notice of a Meeting of that class of shareholders of which you are a member to be held on June 20th, 1968;
- (c) a booklet containing an Amalgamation Agreement made between this Company and Warnock Hersey International Limited on May 31st, 1968, and pro forma consolidated financial statements;
- (d) a booklet containing descriptive material, including consolidated financial statements, with respect to Warnock Hersey International Limited as it is now constituted; and
- (e) an Instrument of Proxy and return envelope.

The purpose of the Special General Meeting to which reference is made in the Notice is to consider and, if deemed fit, to approve the Amalgamation Agreement made between Warnock Hersey International Limited and this Company on the 31st day of May, 1968, a copy of which is enclosed.

Warnock Hersey International Limited holds a controlling interest of approximately 80% in the Common Shares of this Company and it is an operating company which, directly or through subsidiaries, is engaged in many activities which are described in the enclosed booklet concerning that Company.

The Amalgamation Agreement, amongst other things, provides for the amalgamation of the two companies into a single Amalgamated Company to be known as Warnock Hersey International Limited and for the conversion of the shares of the two existing companies into shares of the Amalgamated Company on the following basis:

one (1) \$1.30 Cumulative Redeemable Preferred Share of the par value of twenty-five dollars (\$25) of Canadian Power & Paper Securities Limited	into	one (1) \$1.50 Cumulative Redeemable Preferred Share of the par value of twenty-five dollars (\$25) of the Amalgamated Company;
one (1) Common Share without nominal or par value of Canadian Power & Paper Securities Limited	into	two (2) Common Shares without nominal or par value of the Amalgamated Company;
one (1) Common Share without nominal or par value of the present Warnock Hersey International Limited	into	one (1) Common Share without nominal or par value of the Amalgamated Company.



The equity of the preferred and common shareholders in the books of Canadian Power & Paper Securities Limited as at December 31st, 1967, amounted to \$12,626,093 or \$17.19 per Common Share, after provision for the Preferred Shares at their redemption price of \$26.25.

This may be compared with the equity of the preferred and all common shareholders in the Amalgamated Company as at December 31st, 1967, shown on the pro forma consolidated balance sheet contained in the enclosed Amalgamation Agreement booklet to amount to \$17,788,761 and, after provision for the Preferred Shares of the Amalgamated Company at their redemption price of \$26.25, to be equal to \$17.74 for each two (2) Common Shares of the Amalgamated Company into which each one (1) Common Share of Canadian Power & Paper Securities Limited is to be converted.

The consolidated net earnings of Canadian Power & Paper Securities Limited for the year ended December 31st, 1967, amounted to \$1,008,073 or \$1.51 per Common Share after provision for dividends on the Preferred Shares, whereas the consolidated net earnings of the Amalgamated Company for the same period, as shown on the pro forma consolidated financial statements contained in the Amalgamation Agreement booklet, would have amounted to \$2,130,542 or the equivalent of \$2.32 for each two (2) Common Shares of the Amalgamated Company into which each one (1) Common Share of Canadian Power & Paper Securities Limited is to be converted.

The net asset coverage of the Preferred Shares in the books of Canadian Power & Paper Securities Limited, as at December 31st, 1967, was \$12,626,093 or approximately five (5) times the par value thereof. The like coverage of the Preferred Shares in the books of the Amalgamated Company, as shown on the pro forma consolidated balance sheet as at December 31st, 1967, would have been \$17,788,761 or approximately seven (7) times the par value thereof.

In addition, coverage of the dividends on the Preferred Shares which was 7.75 times in this Company for the year 1967 would have been 14.20 times in the Amalgamated Company for the same year.

Having regard to the foregoing and the scope of the activities of Warnock Hersey International Limited, your Directors feel that the proposed amalgamation of this Company with Warnock Hersey International Limited would serve to give to the shareholders an interest in a new unit directly engaged in operations and providing both increased equity and greater earning power.

It is the opinion of your Directors that the proposed amalgamation is in the general interests of the Shareholders of this Company and they propose to vote their own shares in favour of the amalgamation.

This Company has entered into an Agreement with Gelco Enterprises Ltd., in broad outline providing that Gelco Enterprises Ltd., subject to certain conditions, will make an offer to all of the holders (except those in the United States) of 6% Non-Cumulative Participating Preferred Shares of the par value of Five Dollars (\$5.00) each in the capital stock of Power Corporation of Canada, Limited (hereinafter called "Participating Preferred Shares"), to exchange one and one-half of the 5% Cumulative Redeemable Convertible Second Preferred Shares Series "A" of the par value of Twelve Dollars (\$12) each in the capital stock of Power Corporation of Canada, Limited for each such Participating Preferred Share, and that this Company will accept the Gelco offer in respect of at least 200,000 and not more than 250,000 of such Participating Preferred Shares held by it. The Agreement also provides for joint action by this Company and Gelco in the election of Directors of Power Corporation of Canada, Limited and, in the event that either party desires to dispose of any substantial number of its Participating Preferred Shares, for a right of first refusal in favour of the other party, with provision for substantial damages in the event of non-compliance by either party.

The Notice which accompanies this letter includes, insofar as the common shareholders of this Company are concerned, provision for the Annual General Meeting of Shareholders.

You are invited to attend personally the Meeting of that class of shareholders of which you are a member but, if you are unable to do so, would you please complete the accompanying form of Instrument of Proxy and return the same to the Secretary-Treasurer, Canadian Power & Paper Securities Limited, Suite 1660, 1245 Sherbrooke Street West, Montreal 25, Quebec, in good time for use at the Meeting. The self-addressed envelope to be found herewith may be used for such purpose.

By Order of the Board of Directors.

CANADIAN POWER & PAPER SECURITIES  
LIMITED

Per W. A. ARBUCKLE  
President.